



Control Number: 51415



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SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415

APPLICATION OF SOUTHWESTERN §  
ELECTRIC POWER COMPANY FOR §  
AUTHORITY TO CHANGE RATES §  
BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS  
INDUSTRIAL ENERGY CONSUMERS' EIGHTH REQUEST FOR INFORMATION**

**MARCH 15, 2021**

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INFORMATION**

**Question No. TIEC 8-1:**

Please describe how SWEPCO accesses external capital. If the Company's external capital is provided by its parent company under a credit agreement, please describe the terms of the credit agreement and the associated service fees.

**Response No. TIEC 8-1:**

SWEPCO accesses equity through invested funds from its parent, American Electric Power Company, Inc. SWEPCO generally accesses long-term debt through external debt markets. It has not obtained long-term debt financing from its parent company. SWEPCO does access short term internal debt through the AEP Utility Money Pool. These funds are sourced through the parent company's commercial paper program. Credit line fees are included in the charges associated with the Utility Money Pool. The credit line fees are allocated to SWEPCO (and other participating affiliates) based on the maximum short-term debt authorized.

Prepared By: Carrie M. Luedtke

Title: Corp Finance Analyst Prin

Sponsored By: Renee V. Hawkins

Title: Mng Dir Corporate Finance

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**Question No. TIEC 8-2:**

Please provide S&P and Moody's benchmark ranges for SWEPCO's credit metrics.

**Response No. TIEC 8-2:**

SWEPCO's current financial profile falls within the following benchmarks:

	<u>Moody's</u>	<u>S&amp;P</u>
FFO/Debt	13% - 22%	13% - 23%
FFO/ Interest	3.0x - 4.5x	3.0x - 5.0x
Debt / Capitalization	45% - 55%	-
Debt / EBITDA	-	3.5x - 4.5x

However, it should be noted that S&P applies a family methodology to their ratings. They look at the AEP umbrella when determining ratings; not individual subsidiaries.

Prepared By: Carrie M. Luedtke

Title: Corp Finance Analyst Prin

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**Question No. TIEC 8-3:**

Please provide all academic publications or studies Mr. D'Ascendis is familiar with that discuss the use of adjusted value line betas in the Empirical CAPM.

**Response No. TIEC 8-3:**

Mr. D'Ascendis discusses the use of the Empirical CAPM on pages 42 through 44 of his Direct Testimony. In that discussion, he cites Dr. Roger A. Morin's *New Regulatory Finance*. In that document (provided as Workpaper 19), Dr. Morin discusses the use of adjusted betas in the Empirical CAPM.

Prepared By: Dylan D'Ascendis

Title: Director, ScottMadden, Inc.

Sponsored By: Dylan D'Ascendis

Title: Director, ScottMadden, Inc.